

## Organizational Structure

### **EXECUTIVE DIRECTOR**

Kevin Mullally, Executive Director

The Executive Director is the Missouri Gaming Commission's chief operations officer. The Executive Director is responsible for the overall functions and policy of the staff. The Executive Director also serves as the primary liaison between the Commissioners and the staff.

### **ENFORCEMENT**

Steve Johnson, Chief Deputy Director

Licensing investigations, special investigations, existing property expansions, new system and regulation development and the continuing evolution of electronic gaming devices (slot machines) have been the focus of the enforcement section this fiscal year. As reported last year, we are understaffed; however, our officers and agents continue to ensure the integrity of gaming and the protection of assets as well as oversee the safety of both staff and patrons aboard our excursion boats. The enforcement section is also responsible for the coordination of investigation into complaints relative to this industry and responding to those who are displeased with any particular practice, issue or incident. Another significant function within the enforcement section is supervision and maintenance of the charitable gaming industry (Bingo) within the state. This industry is also experiencing an electronic evolution that is moving them away from the traditional paper-based conduct of Bingo. We have maintained a reasonable regulatory presence in this arena, with a continued emphasis on fairness, consistency and responsiveness to the industry's concerns. Our agents and supervisors in this unit have devoted a significant amount of their time in assisting out-state jurisdictions with the detection and seizure of illegal gaming devices which can be found virtually statewide. It is important to note that our agents do not have primary enforcement authority relative to illegal devices unless these devices are located within licensed Bingo facilities. As mentioned in previous annual reports, we have adopted a zero tolerance policy relative to illegal devices in licensed Bingo halls, which is likely why we have noticed a significant decline in the number of complaints relative to this issue. (See more detailed information on charitable gaming on pages 28-30.)

Cashless wagering is the latest industry innovation and Missouri is seeing a steady transition to this concept. The development of internal controls relative to the conversion to cashless wagering as well as the practical problems associated with the conversion of existing devices to this system have burned a significant amount of available staff time. In addition to this concept, slot machine monitoring systems have become increasingly sophisticated and our agents have worked very hard to stay ahead of the learning curve while managing this function.

A significant departure from business as usual this past year has been the first major overhaul of the Commission's approach to the disciplining of industry for infractions or oversights that come to our attention. Our discipline process has been significantly streamlined with a focus on efficiency, fairness, timely notification of licensees who are being accused and a timely resolution of cases resulting in some form of discipline. The significant changes to the discipline process include the separation of the process into two distinctive arenas; the investigatory process and the adjudication process. (Prior to the development of the new system, the investigators who actually investigated an incident were charged with the additional responsibility of making a recommendation regarding punitive responses. The investigators no longer have that responsibility.) We have developed a new notice of investigation that guarantees the licensee the opportunity to respond to the accusation and is not, in itself, a disciplinary instrument. We have formed a formal six member disciplinary review board that meets weekly rather than every six weeks, and are currently developing a comprehensive database to capture all discipline-related data from a totally revised Gaming Incident Report form. The development of this new process was accomplished through the efforts of a multi-disciplined group representing both industry and all relevant components of the Commission staff.

We have begun the daunting task of rewriting the various sections of the Minimum Internal Controls in an effort to bring them up-to-date. We have just completed the section related to electronic gaming devices and will be bringing the new standard to the Commission for approval in the very near future. This process is arduous at best and involved representatives from industry working hand-in-hand with our staff to complete. We are beginning the next section, Table Games, and should have that section completed early next year.

Finally, I would like to offer my deep appreciation to the enforcement staff for an exceptional effort this past year. They have embraced the endless stream of new concepts, technologies and systems with zeal and a wonderful can-do attitude. This, in addition to their already formidable responsibilities associated with enforcement, clearly indicates a high level of professional resolve and loyalty to the mission of the Commission.

**Audit** - The audit staff performs independent audits, reviews and investigations to identify and document noncompliance with laws, policies and procedures. Auditors recommend corrective actions related to internal controls and interpretation of policy and work closely with officer-agents in follow-up investigations arising out of audit findings as well as agent initiated cases. The audit staff complies with the Standards for the Professional Practice of Internal Auditing and Government Audit Standards. Gaming is a very sophisticated business, more so today than ever before as a result of sophisticated slot machine management systems and increasing automation in virtually every facet of this business, from mixed drink delivery systems to electronic access control systems. In an attempt to adequately monitor and audit these functions, we have a staff of 21 auditors to conduct comprehensive audits where indicated. During FY 2003, the audit staff prepared 60 audit reports reflecting the results of audits of casino operations.

**Licensing** – The licensing staff coordinates and implements the licensing of excursion gambling boats (Class A), issuance of Class A liquor licenses, licensing of suppliers of gambling games and administers License 2001, a statewide licensing program that contains information on 11, 231 active Level I, Level II and service technician occupational licensees. License 2001 provides the Commission a vehicle to license and track all occupational licenses, as well as generate a monthly invoice for fees associated with applications, licenses issued, duplicate licenses and renewals for Level I, Level II and service technician occupational licenses.

During FY 2003, licensing, enforcement and IT staff were instrumental in Level II licensure of over 1,000 additional employees at Ameristar Casino St. Charles due to their expansion. Occupational gaming licenses issued statewide for FY 2003 totaled over 4,600 and renewals totaled approximately 8,700.

Licensing personnel were issued, trained and certified to use Personal Applicant Live Scan units, which allows applicants to be electronically fingerprinted for licensing requirements. The electronic transmission of fingerprints to the Missouri State Highway Patrol provides for 24-hour turnaround time on criminal record responses. Electronic transmission of fingerprints to the Federal Bureau of Investigation was implemented on August 12, 2003.

A new Level II application and a new Key Person and Level I application were released to Class A and Supplier licensees to further enhance occupational licensure.

New badging equipment and scanners were procured for Commission gaming offices in the field to ensure integrity of the licenses, as well as more efficiently manufacture the state gaming licenses. State-of-the-art scanners will allow Level II license applications to be stored electronically and also utilized with the new DAP application system.

A review of Chapter 4- Licensing, Code of State Regulations, is ongoing to provide detailed clarification regarding requirements for Class A, Supplier and occupational licensure.

**Training** - The continuous evolution of electronic gaming devices coupled with a more sophisticated approach to stealing has necessitated a shift in our training priorities. Identity theft continues to be a major consideration for both the industry and those who regulate it. We have worked with the various gaming companies this past year in an attempt to educate them on matters related to fraudulent identification and the theft of identification in an effort to curtail this activity in Missouri. Our involvement in the voluntary exclusion program also necessitates current training related to identification concerns. The changes in the electronic arena have been handled through a partnership with various industry authorities such as International Game Technology and our testing contractor, Gaming Laboratories International. We have opened our training, space available, to other gaming jurisdictions in an effort to coordinate regulatory responses throughout the regulatory environment.

Our training section, under the direction of Mr. Chris Baker, has also delivered training to all boat agents and senior management members relative to the aforementioned new discipline process. Our training section has conducted 35 separate training sessions with total attendance of 429 students. The reduction in the total number of students is the direct result of most agents having been through the basic games protection schools and the necessity to focus narrowly on topics that are specialized in nature. We do not anticipate a shift in training priorities in the upcoming fiscal year.

**Pari-Mutuel Horse Racing** – Pari-Mutuel Horse Racing was established in the State of Missouri with the enactment of Senate Bill 572 in 1986. This allowed for wagering on the outcome of horse races in which those who wager purchase tickets of various denominations on a horse or horses in one or more races. To this date no track has been established in the state. The Gaming Commission was assigned the responsibility for governing pari-mutuel horse racing from the Missouri Horse Racing Commission in 1997.

**Missouri State Highway Patrol** – The Gaming Division of the Highway Patrol, pursuant to a memorandum of understanding with the Gaming Commission, provides criminal and regulatory enforcement of gaming operations within the state. Under the command of Captain Robert Bloomberg, the division is divided into four sections: Eastern District Enforcement, Western District Enforcement, Background Investigations and Administrative Services. The enforcement districts are responsible for enforcing Missouri statutes and Commission regulations on licensed casino properties. The background unit conducts investigations of individuals, companies and suppliers applying for licensure with the Commission, as well as persons applying for employment with the Gaming Commission. The background unit has a section that is responsible for enforcement related to charitable games in Missouri. The administrative services section oversees the collection and preservation of evidence and property, division training, criminal records and case management and special projects performed by the Gaming Division.

Charges listed in the chart on the following page were filed as a result of arrests made by troopers assigned to the Gaming Division from July 1, 2002 through June 30, 2003.



TYPE OF CHARGE	NUMBER		TYPE OF CHARGE	NUMBER
Assault	32		Motor Vehicle	120
Conservation	2		Obstruction of Judicial Process	461
Damaged Property	136		Obstructing Police	8
Dangerous Drugs	40		Peace Disturbance	6
Family Offense	7		Prostitution	1
Flight/Escape	18		Public Order	1
Forgery	43		Robbery	2
Fraud	53		Sex Offenses	1
Gambling	187		Sexual Assault	1
Homicide	1		Stealing	81
Liquor Laws	8		Stolen Property	6
Misc. Admin. Charges	5		Weapons	4
Misc. Fed. Charges	1		<b>Total Charges</b>	<b>*1,225</b>

\*These totals reflect the number of charges filed by agents of the Commission. The number of individuals arrested will be lower as some individuals may have multiple charges filed as a result of an individual incident. These totals also include arrests made attendant to outstanding warrants for criminal activity that did not occur on property of excursion gambling boats.

## ADMINISTRATION

Deborah A. Ferguson, Deputy Director

The administration section of the Missouri Gaming Commission is responsible for managing all fiscal, personnel and record keeping resources of the agency. In addition, the administration section provides support services to 111 Commission employees and, pursuant to a memorandum of understanding, to 124 Highway Patrol officers assigned to the Commission. This section oversees budget development, revenue collection, accounts payable, accounts receivable, cost accounting, procurement, facilities management, support services, human resources, asset inventory and records management. Administration has worked extremely hard during FY 2003 implementing new processes and procedures to enhance the capabilities of the section.

The human resources section developed a new employee exit interview questionnaire and established a new process for conducting employee exit interviews. The data obtained from the exit interviews will be used to analyze trends in organizational development and to assess the work atmosphere for potential improvement initiatives.

Additionally, the human resources section has created a new application form and "Applicant

Characteristic Survey Form,” which is in the final phase of development. The information gathered from this form will be used for federal reporting and research purposes. It will also assist in determining the effectiveness of our recruitment efforts in reaching all segments of the population and in providing equal employment opportunity.

The Commission has been busy working with the Office of Administration–Division of Personnel with the startup of the Uniform Classification and Pay Plan Study in January 2003. Human resources continues to provide information and it is anticipated that recommendations from O.A. personnel will be submitted to the Commission by end of calendar year 2003.

The records administrator chaired a team of Commission employees representing Enforcement, Information Technology, Legal and the Missouri State Highway Patrol in the review and restructuring of the Key Person and Level I Application form. This once cumbersome and lengthy form has been simplified and made user-friendly for both applicants and Gaming Commission staff. It can also be downloaded from the Commission’s website and completed online.

Administration worked closely with the Division of Facilities Management in FY 2003. The lease at the St. Louis Commission office expired on June 30, 2003. Administration was required to submit a new space analysis to Facilities Management and then bids were solicited. The lease for the St. Louis office at 11775 Borman Court, St. Louis, Missouri was renewed for a five-year renewal period. The Kansas City Office lease had been renewed in FY 2002.

This section also worked closely with the State Auditor’s Office to finalize its audit of FYs 2000, 2001 and 2002 financial statements. The auditors determined that the financial statements for the audit period were presented fairly. The agency continues to improve and adjust internal control procedures in order to maintain efficient and effective operations.

The data on the following page shows the proceeds, including interest earned, from riverboat gaming and charitable bingo for education and veterans:

PROCEEDS TO EDUCATION			
	Riverboat Gaming		Bingo
FISCAL YEAR 1995 THRU 6/30/1995	\$ 56,616,282.04	\$	6,253,703.96
FISCAL YEAR 1996 THRU 6/30/1996	\$ 99,730,320.67	\$	4,684,178.52
FISCAL YEAR 1997 THRU 6/30/1997	\$ 118,419,389.02	\$	4,615,579.50
FISCAL YEAR 1998 THRU 6/30/1998	\$ 144,490,378.94	\$	4,384,174.86
FISCAL YEAR 1999 THRU 6/30/1999	\$ 161,287,348.65	\$	4,412,395.16
FISCAL YEAR 2000 THRU 6/30/2000	\$ 178,884,081.17	\$	4,304,256.18
FISCAL YEAR 2001 THRU 6/30/2001	\$ 188,341,342.95	\$	3,912,466.82
FISCAL YEAR 2002 THRU 6/30/2002	\$ 217,678,332.97	\$	3,414,691.13
FISCAL YEAR 2003 THRU 6/30/2003	\$ 234,505,836.07	\$	3,352,993.61
<b>TOTAL</b>	<b>\$ 1,399,953,312.48</b>	<b>\$</b>	<b>39,334,439.74</b>
PROCEEDS TO VETERANS			
			Bingo
FISCAL YEAR 96 THRU 6/30/1996			\$273,775.68
FISCAL YEAR 97 THRU 6/30/1997			\$47,800.63
<b>TOTAL</b>			<b>\$321,576.31</b>
<b>TOTAL OF ALL PROCEEDS</b>			<b>\$1,439,609,328.53</b>

The Missouri Gaming Commission follows Section 313.835, RSMo, for operating fund transfers. It states: "All revenue received by the Commission from license fees, penalties, administrative fees, reimbursement by any excursion gambling boat operators for services provided by the Commission and admission fees authorized pursuant to the provision of Section 313.800 to 313.850, except that portion of the admission fee, not to exceed one cent, that may be appropriated to the compulsive gamblers fund as provided in Section 313.820, shall be deposited in the state treasury to the credit of the 'Gaming Commission Fund' which is hereby created for the sole purpose of funding the administrative costs of the Commission, subject to appropriation."

The statute also provides that the remaining net proceeds in the Gaming Commission Fund for each fiscal year are distributed to various funds in amounts defined in the statute. Additionally, the first five hundred thousand dollars shall be appropriated on a per capita basis to cities and counties that match the state portion and have demonstrated a need for community assistance. As a result, the following amounts have been transferred since inception to the Gaming Commission Fund.



Fiscal Year of Transfer	Veterans Commission Capital Improvement Trust Fund	Missouri National Guard Trust Fund	Mo College Guarantee Fund	Early Childhood Development, Education and Care Fund	Compulsive Gamblers Fund	Cost Allocation to General Revenue	Totals
FY 1994/1995	\$8,408,536.13						\$8,408,536.13
FY 1996	\$23,487,182.59						\$23,487,182.59
FY 1997	\$30,388,830.54						\$30,388,830.54
FY 1998	\$35,905,493.46						\$35,905,493.46
FY 1999	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$30,237,763.51			\$40,737,763.51
FY 2000	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$34,217,803.75			\$44,717,803.75
FY2001	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$30,691,290.20	\$46,612.00		\$41,237,902.20
FY2002	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$31,266,433.92	\$398,074.00	\$576,473.00	\$42,740,980.92
FY2003	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$33,947,613.45	\$489,850.00	\$576,473.00	\$45,513,936.45
<b>Totals</b>	<b>\$113,190,042.72</b>	<b>\$15,000,000.00</b>	<b>\$22,500,000.00</b>	<b>\$160,360,904.83</b>	<b>\$934,536.00</b>	<b>\$1,152,946.00</b>	<b>\$313,138,429.55</b>

Effective August 28, 2003, the 92<sup>nd</sup> Missouri General Assembly, at its First Regular Session, passed House Bill 444 changing the distribution of net proceeds in the Gaming Commission Fund each year. Under the provisions of this bill, the total distribution for each fund will be as follows: \$6 million to the Veterans' Commission Capital Improvement Trust Fund; \$5 million to the Missouri College Guarantee Fund; \$4 million to the Missouri National Guard Trust Fund; and the remaining net proceeds to the Early Childhood Development, Education and Care Fund.

## INFORMATION TECHNOLOGY

Ray Pope, Director

Since the inception of the Missouri Gaming Commission, primarily, systems borrowed from other government agencies have fulfilled the data needs of the Commission. At this point in the Commission's development, it is time to begin developing application systems that reflect our growth of knowledge in the gaming industry. Over the next year, we intend to complete a few of these systems and put in place the necessary practices to continue developing new applications and maintain and enhance the in-place systems. It is also appropriate that we undertake improving the staff efficiencies through better application of the computer technology currently in place. This undertaking is significant and will take several years to complete.

We will also monitor the network configuration to evaluate its capacity to accommodate the enhanced data collection and delivery needs. We will be collecting electronic images of documents created in the field for storage and more efficient workflow between the field and the central office in Jefferson City.



## LEGAL

Michael Bushmann, General Counsel

The legal section, formerly the legal and legislative affairs section, was reorganized during FY 2003. Following the departure of the deputy director for legal and legislative affairs, that staff position was eliminated and the duties related to legislative issues were reallocated among other staff members. The general counsel was named as the new supervisor of the legal and problem gambling program staff.

The legal section provides legal advice to the Commissioners, Executive Director and other Commission staff regarding riverboat and charitable gaming issues, including review of financial transactions, interpretation of laws and regulations and analysis of policy proposals. The section assists the Commission in its quest to ensure that riverboats, bingo organizations, suppliers and individual licensees abide by all laws and rules of the Commission. In particular, Commission lawyers are responsible for drafting proposed disciplines against licensees for violations of laws or rules and presenting those disciplines to the Commission. The legal staff also serves as a liaison with the Attorney General's office regarding discipline appeals and related matters.

In FY 2003, 17 disciplines were imposed on Class A excursion gambling boat licensees. Nine of these disciplines have appeals currently pending. The disciplines proposed fines ranged from \$5,000 to \$250,000 for violations including late tax remittals, audit and sensitive key violations, failure to remove revoked software from slot machines, failure to notify and obtain approval for a financial transaction and failure to perform due diligence on a business associate.

Level I licensees hold gaming licenses for key managerial positions within a riverboat gaming operation, such as the general manager, controller and department managers. In FY 2003, one Level I licensee was disciplined, receiving a 7-day suspension.

Level II licensees hold gaming licenses for occupational positions such as dealers, slot machine technicians and cocktail servers, to name a few. In FY 2003, disciplines were proposed against 181 Level II licensees. Of the disciplinary actions proposed against Level II licensees, 25 were license revocations, 38 were license suspensions, 11 were reprimands and 107 were denials of permanent licensure.

Disciplines imposed in the bingo section have ranged from written reprimands, to license suspensions, and in a few rare cases, license revocation. In the past year, disciplinary action was initiated against seven bingo organizations licensed in Missouri. Of those disciplines, one has been settled and six are pending appeal.



## **CORPORATE SECURITIES AND FINANCE**

Jim Oberkirsch, Chief Financial Analyst

The primary functions of the corporate securities and finance section are financial reporting, gaming market analysis, financial suitability analysis and tax collection.

The Commission provides a monthly market statistics report on its website.<sup>1</sup> The report provides data on adjusted gross receipts (gaming revenue), patron volume, admission counts and the amounts of the gaming tax and admission fees collected.

<sup>1</sup> [www.mgc.dps.mo.gov/finan\\_map.html](http://www.mgc.dps.mo.gov/finan_map.html)

The corporate securities and finance section is responsible for the analysis of the gaming markets in Missouri for the purpose of providing the senior staff with information they need to make decisions regarding expansion, rule changes and regulatory resolutions. Regarding expansion, the goal is to determine the timing, number and placement of additional casinos. The Commission's charge is to issue licenses to applicants that best serve the interests of the citizens of Missouri. In order to fulfill this responsibility, the Commission evaluates many factors, including whether new gaming capacity can be added to the market without unduly impacting previously licensed facilities. The Commission, in evaluating proposals for additional licenses, focuses on creating incremental growth, expansion of tax revenues, ancillary economic development and employment. Furthermore, it carefully scrutinizes the level of community support and the ability of the developer to minimize the negative social and economic impact of the facility. Thus, Missourians can expect the Commission to deal with expansion issues in a cautious and prudent manner that includes a lengthy public process. However, should a facility become substandard, fall into disrepair or otherwise become non-competitive, the Commission would be forced to consider new projects in that market of better quality that meet the high standards it sets for licensees.

The section also examines business transactions of the licensee's parent company, including the issuance of debt or equity, acquisitions, mergers and others. This analysis is done to determine whether the financial suitability of the gaming entity will be impaired due to the transaction and whether any regulatory action is necessary.

Another function of the corporate securities and finance section is the collection of the gaming tax and admission fees assessed upon casino licensees by statute. The critical role of the tax auditors is to audit the approximately 4,380 tax returns for accuracy and completeness. They also perform on-site tax audits in order to reconcile supporting documentation to the tax returns.

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